

MINNESOTA STATE COLLEGES AND UNIVERSITIES BOARD OF TRUSTEES

Agenda Item Summary Sheet

Committee: Audit Committee

Date of Meeting: April 19, 2005

Agenda Item: Appointment of External Auditors for Bemidji State University; Minnesota State Community and Technical College; Minnesota State University, Mankato; Minnesota State University Moorhead, St. Cloud State University, Winona State University

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Proposed
Policy Change

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Approvals
Required by
Policy

☐

Other
Approvals

☐

Monitoring

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Information

Cite policy requirement, or explain why item is on the Board agenda:

Board Policy 1.A.2. Part 5, Subpart E charges the Audit Committee with oversight of external auditors. To fulfill that responsibility, it is crucial that the committee select external auditors to recommend for appointment by the full Board of Trustees.

Scheduled Presenter(s):

John Asmussen, Executive Director, Office of Internal Auditing

Outline of Key Points/Policy Issues:

- The five state universities covered by this action have just completed three-year contracts with external auditors. New contracts are needed to engage external auditors for the next three years.
- Minnesota State Community and Technical College (MSCTC) is one of the largest two-year colleges. Three MSCTC campuses were part of the former Northwest Technical College which had been subject to annual financial statement audits. MSCTC replaces Northwest Technical College on the audit schedule.

Background Information:

- The board adopted an external audit plan in January 2005 that calls for annual financial statement audits of each state university and the largest two-year colleges.

**BOARD OF TRUSTEES
MINNESOTA STATE COLLEGES AND UNIVERSITIES**

BOARD INFORMATION
APPOINTMENT OF EXTERNAL AUDITORS FOR BEMIDJI STATE UNIVERSITY; MINNESOTA STATE COMMUNITY AND TECHNICAL COLLEGE; MINNESOTA STATE UNIVERSITY, MANKATO; MINNESOTA STATE UNIVERSITY MOORHEAD, ST. CLOUD STATE UNIVERSITY, WINONA STATE UNIVERSITY

BACKGROUND

In January 2005, the Board of Trustees adopted an external audit plan that called for annual financial statement audits for each state university and the largest two-year colleges. The five state universities covered by this action have just completed three-year contracts with external auditors. Minnesota State Community and Technical College (MSCTC) is one of the largest two-year colleges. Three MSCTC campuses were part of the former Northwest Technical College which had been subject to annual financial statement audits. MSCTC replaces Northwest Technical College on the audit schedule. The three-year contracts for all six institutions have expired. The Executive Director of Internal Auditing and the Vice Chancellor – Chief Financial Officer have led an effort to identify external auditors that the Board of Trustees could select for new three-year contracts. The Board of Trustees hold the ultimate responsibility, though, for selecting external auditors. The Audit Committee, pursuant to Board Policy 1.A.2. Part 5, Subpart E, must select the external auditing firms to recommend to the full Board of Trustees for appointment.

The MnSCU Office of Internal Auditing and the MnSCU Finance Division prepared a request for proposals (RFP) to solicit interest in these six audits. A copy of the RFP summary was published in the State Register on January 31, 2005. The RFP was distributed to interested public accounting firms and the Legislative Auditor. The RFP sought external auditing services for six institutions on an annual basis for a three-year period from July 1, 2004 to June 30, 2007. The deadline for submitting proposals was March 4, 2005.

Five public accounting firms responded to the RFP and submitted proposals to some or all of the six institutions. Three firms submitting proposals have prior experience with auditing MnSCU institutions. The proposals were reviewed by the Executive Director of Internal Auditing, the Vice Chancellor – CFO, other key administrators in the MnSCU Finance Division, and Chief Financial Officers from the six institutions. The reviewers agreed to recommend that the Board of Trustees select the following firms for these audits:

- The firm of Larson, Allen, Weishair & Co., LLP be selected to audit Minnesota State University, Mankato, Minnesota State University Moorhead, and Winona State University. This firm was responsible for auditing both the Mankato and Winona institutions the prior three years. Those institutions preferred to continue with the same

firm for three more years; rather than incurring the added time and expense of switching to a new firm. Minnesota State University Moorhead preferred to switch to this firm, though, because the firm had experience with larger state universities.

- The firm of Kern, DeWenter, Viere, Ltd. be selected to audit Bemidji State University and Minnesota State Community and Technical College. This firm was responsible for auditing Bemidji State University and Northwest Technical College the prior three years. Those institutions preferred to continue with the same firm for three more years; rather than incurring the added time and expense of switching to a new firm.
- The firm of Virchow, Krause and Company, LLP be selected to audit St. Cloud State University. The university requested a change in external auditors because it had not received much continuity in staffing from its previous external auditor. Virchow, Krause and Company, LLP has experience auditing other MnSCU institutions and has provided high quality service.

The average estimated annual cost for each audit would be about \$35,800. These audit fees would represent about a 5% annual increase from the previous contracts.

RECOMMENDED COMMITTEE ACTION

The Audit Committee recommends that the Board of Trustees approve the following motion:

RECOMMENDED BOARD OF TRUSTEES MOTION

The Board of Trustees approves the appointment of three public accounting firms, Larson, Allen, Weishair & Co., LLP, Kern, DeWenter, Viere, Ltd., and Virchow, Krause and Company, LLP to serve as external auditors for six colleges and universities. The firm of Larson, Allen, Weishair & Co., LLP, will serve as external auditor for Minnesota State University, Mankato, Minnesota State University Moorhead, and Winona State University. The firm of Kern, DeWenter, Viere, Ltd., will serve as external auditor for Bemidji State University and Minnesota State Community and Technical College. The firm of Virchow, Krause and Company, LLP will serve as external auditor for St. Cloud State University. The scope of these audit services shall include an annual audit of the general financial statements of the above mentioned colleges and universities. The term of these appointments begins upon execution of contracts and shall continue to fulfill external auditing needs for the three fiscal years from July 1, 2004 to June 30, 2007.

The Board of Trustees authorizes the Executive Director of Internal Auditing and the Vice Chancellor/Chief Financial Officer to negotiate contracts with Larson, Allen, Weishair & Co., LLP, consistent with the terms contained in its proposal dated March 4, 2005, Kern DeWenter, Viere, Ltd., consistent with the terms contained in its proposal dated March 2, 2005, and Virchow, Krause and Company, LLP, consistent with the terms contained in its proposal dated March 4, 2005.

Date Presented to the Board of Trustee: April 19, 2005